

Fiscal Note

Fiscal Services Division



SF 173 – Education Funding Supplemental for FY 2016 (LSB2184SV)
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Fiscal Note Version – New

Description

Senate File 173 provides additional property tax relief based on the per pupil increase that results from the establishment of the State percent of growth in FY 2016. The Bill requires the additional levy portion of the FY 2016 State cost per pupil amount to be frozen at \$750 per pupil, regardless of the per pupil increase for FY 2016. Without enactment of this provision, the increase in the FY 2016 State cost per pupil due to the State percent of growth will include a per pupil property tax increase equivalent to 1/8th (12.5%) of the total per pupil increase.

Background

Enactment of **HF 215** (2013 Education Reform Act) included the creation of the property tax replacement payment (PTRP) provision to replace local property tax amounts with State aid. The provision froze the additional levy portion of the State cost per pupil in FY 2014 and FY 2015 at \$750. Based on the State percent of growth enacted for those fiscal years (2.0% in FY 2014 and 4.0% in FY 2015), this provision resulted in per pupil property tax relief of \$15/pupil in FY 2014 and another \$31/pupil in FY 2015. This provision also required these per pupil property tax relief provisions for FY 2014 and FY 2015 to carry forward in future fiscal years, resulting in per pupil property tax relief totaling \$46/pupil beginning in FY 2015. Enactment of **SF 173** and **SF 176** (Education Funding Supplemental for FY 2017) will maintain a freeze of the additional levy portion of the State cost per pupil at \$750 in FY 2016 and FY 2017. The per pupil property tax relief amount will be based on the State percent of growth enacted for FY 2016 and FY 2017. The following table provides detail regarding the State cost per pupil funding levels as provided by a 4.0% growth rate for FY 2016 in **SF 171** (School Supplemental State Aid, State Percent of Growth FY 2016) and a 4.0% growth rate for FY 2017 in **SF 174** (School Supplemental State Aid, State Percent of Growth FY 2017).

FY 2016 and FY 2017 State Cost Per Pupil Amounts Based on SF 173 and SF 176				
	FY 2015	FY 2016 4.00%	FY 2017 4.00%	
State Cost Per Pupil (SCPP):	\$ 6,366	\$ 6,621	\$ 6,886	
87.5% Foundation Level (FL):	5,570	5,793	6,025	
Previous Enacted PTRP Amount:	46	46	46	
Additional Levy Portion:	750	782	815	
Additional Per Pupil Property Tax:		\$ 32	\$ 33	
Total Per Pupil Property Tax Relief:		\$ 78	\$ 111	

Enactment of [SF 173](#) will provide additional property tax relief of \$32/pupil for FY 2016 at the 4.0% State percent of growth provided in [SF 171](#). Enactment of [SF 176](#) will provide additional property tax relief of \$33/pupil for FY 2017 at the 4.0% State percent of growth provided in [SF 174](#).

Assumptions

Estimates are based on October 2014 certified enrollments and weighting and enrollment projections for October 2015.

Fiscal Impact

The estimated fiscal impact of [SF 173](#) and [SF 176](#) will be an increase in the State General Fund expenditures of \$17.8 million in FY 2016 and \$36.6 million in FY 2017 compared to current law.

Estimated Impact - SF 173 and SF 176			
FY 2016 and FY 2017 General Fund Expenditure Increase for Property Tax Replacement Payments (PTRP)			
Based on SF 173 and SF 176 (Millions of Dollars)			
	FY 2016		FY 2017
	4.00%		4.00%
Total Current Law PTRP Amount	\$	25.4	\$ 25.4
SF 173 and SF 176 Total PTRP Amount		43.3	62.0
Est. Impact of SF 173 and SF 176	\$	17.8	\$ 36.6

Sources

Iowa Department of Education, Certified Enrollment file
Iowa Department of Management, School Aid file
LSA analysis and calculations

/s/ Holly M. Lyons

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The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.